
FEDERAL DEPOSIT INSURANCE CORPORATION

Executive Management Report

Unaudited

Financial Results

For the Three Months Ending March 31, 1998



Division of Finance

Financial Highlights

For the Three Months Ending March 31, 1998

Bank Insurance Fund (BIF):

- Net income was \$267 million for the quarter ending March 31, 1998, raising the fund balance to \$28.6 billion.
- Revenue totaled \$425 million for the quarter ending March 31, 1998. The fund earned \$408 million in interest on investments in U.S. Treasury securities and earned \$5 million in deposit insurance assessments.
- The liability for anticipated failures of insured BIF institutions at \$41 million reflects the stable condition of the banking industry.
- Receivables from bank resolutions decreased to \$840 million at March 31, 1998. This receivable balance peaked at \$27.8 billion in 1992 due to the large number of bank failures occurring at that time.
- Assets in liquidation totaled \$1.5 billion as of March 31, 1998, down by \$2.0 billion over the last 12 months.
- While total BIF expenses (fund level and receivership) decreased by \$22 million for the quarter ending March 31, 1998, compared to the same period last year, the BIF expenses at the fund level increased by \$7 million. This is because BIF receiverships incurred fewer expenses as liquidation activity declined and receiverships aged. At the same time, expenses associated with the primary purpose of the BIF, to insure deposits and to protect depositors of BIF-insured banks, increased.

Savings Association Insurance Fund (SAIF):

- Net income was \$116 million for the quarter ending March 31, 1998, increasing the fund balance to \$9.5 billion.
- Total revenue was \$135 million for the quarter ending March 31, 1998.
- Total receivership assets remaining as of March 31, 1998 is approximately \$3 million, compared to \$35 million one year earlier.

FSLIC Resolution Fund (FRF): ***~FRF-FSLIC~***

- Net receivables from thrift resolutions were \$55 million at March 31, 1998, compared to \$160 million for March 31, 1997, as assets of the former FSLIC continue to be liquidated.
- Net cash provided by operating activities decreased by \$665 million over the same period last year, due primarily to \$651.7 million received in January 1997 from the sale of

common stock. The FRF had received the stock pursuant to a conversion, in December 1996, of warrants originally acquired from a 1987 assistance transaction.

- The accumulated deficit declined by \$281 million over the past year, as total resolution equity increased to \$2.0 billion as of March 31, 1998.
- Assets in liquidation totaled \$130 million, down by \$321 million over the last 12 months.

~FRF-RTC~

- The FRF-RTC earned \$66 million in interest income during the first three months of 1998 on the securitization credit enhancement reserves that were transferred to the Corporation as a non-cash dividend in October 1996.
- Assets in liquidation totaled \$1.9 billion as of March 31, 1998, down by \$2.2 billion over the last 12 months.
- Federal Financing Bank (FFB) borrowings were reduced by \$2.4 billion to \$0.6 billion during the twelve months ending March 31, 1998.
- Provision for losses is a negative \$34 million for the period, primarily reflecting decreased losses expected for assets acquired from assisted thrifts and terminated receiverships.
- The accumulated deficit declined by \$1.7 billion over the past year, as total resolution equity increased to \$6.7 billion as of March 31, 1998.

Bank and Thrift Failure Activity:

- No BIF-insured institutions failed during the first three months of 1998. During 1997, one bank failed with total assets of \$26 million.
- No SAIF-insured institutions failed during the first quarter of 1998 or during calendar 1997.

Other Significant Highlights:

- Historically, FDIC has purchased securities with the intention of holding them to maturity. Since October 1997, the Corporation, on behalf of the BIF and the SAIF, has purchased \$1,285 million and \$545 million (par value) of securities, respectively, and designated them as *available-for-sale* to enhance the funds' liquidity position. This designation, along with the presentation of unrealized gains and losses on the Statements of Income and Fund Balance, is consistent with the applicable accounting standard, which requires these types of securities to be recorded at fair market value. As of March 31, 1998, the BIF and SAIF have recorded unrealized losses of \$577 thousand and \$361 thousand, respectively.

- Effective January 1, 1998, the FDIC began capitalizing various costs including software development, computer equipment, and leasehold improvements due to the increasing materiality of these costs. Previously, only land and buildings owned by the Corporation were capitalized. The BIF is the designated administrator of all capital assets owned and used by the Corporation. Depreciation expense will be allocated periodically to all funds on an equitable basis for each class of assets.

Statistical Highlights

(Dollars in Millions)

Fund Results	Bank Insurance Fund (Unaudited)		Savings Association Insurance Fund (Unaudited)	
	YTD 3/31/98	YTD 3/31/97	YTD 3/31/98	YTD 3/31/97
Revenue	\$425	\$355	\$135	\$134
Operating Expenses	\$132	\$125	\$16	\$14
Insurance Losses/Expenses	\$26	\$42	\$3	(\$1)
Net Income	\$267	\$188	\$116	\$121
Fund Balance	\$28,559	\$27,042	\$9,484	\$9,009

Selected Statistics (a)

Total Insured Institutions	9,430 (b)	9,854 (c)	1,519 (b)	1,630 (c)
Number of Failures, YTD	0	0	0	0
Total Assets of Failures, YTD	\$0	\$0	\$0	\$0
Total Estimated Losses, YTD	\$0	\$0	\$0	\$0
Receivership/Corporate Owned Assets in Liquidation	\$1,476	\$3,474	\$3	\$35

(a) The selected statistics are not examined during the financial statement audits.

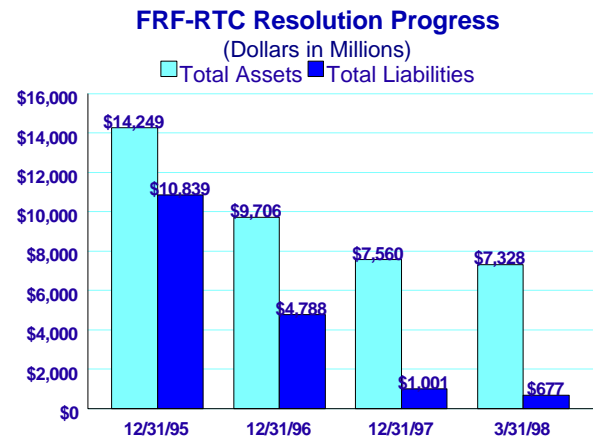
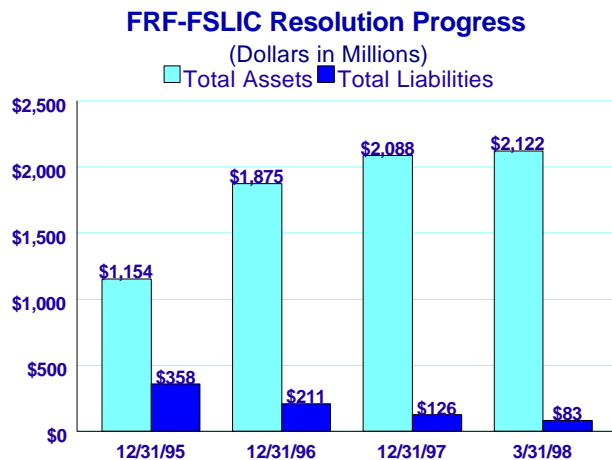
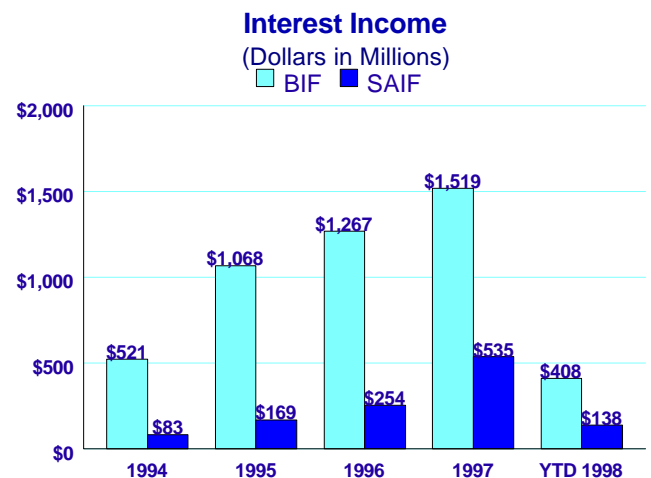
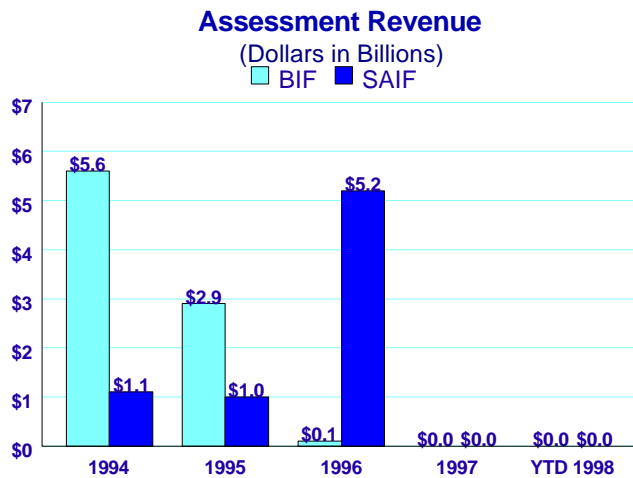
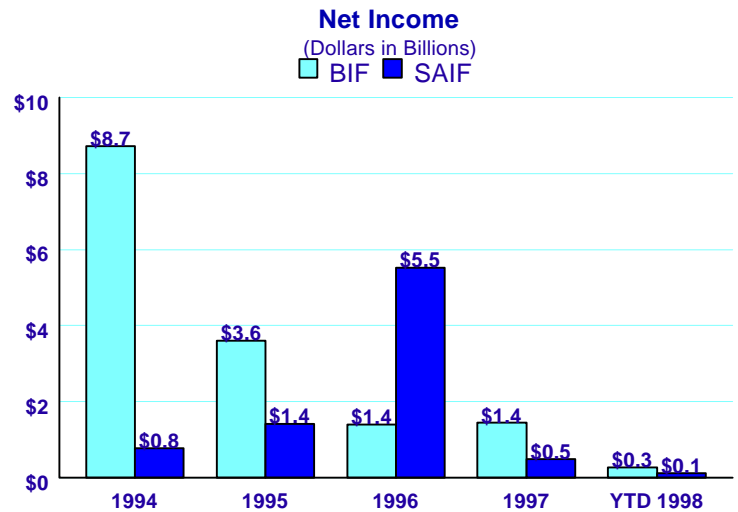
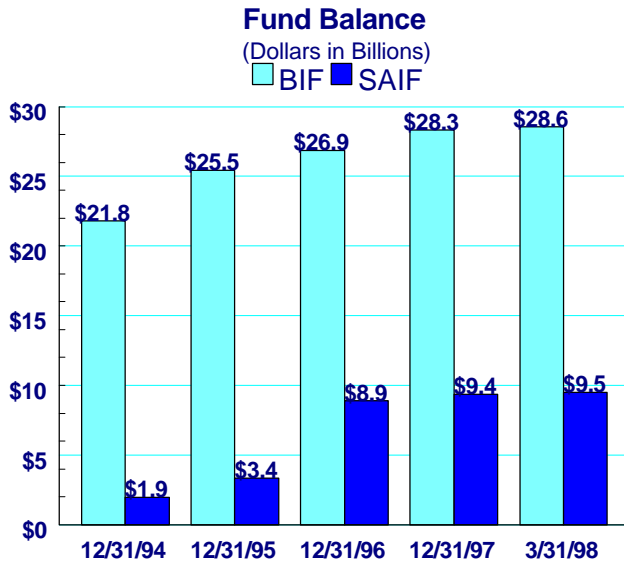
(b) Source: 12/31/97 FDIC Quarterly Banking Profile. BIF figure includes 27 U.S. branches of foreign banks.

(c) Source: 12/31/96 FDIC Quarterly Banking Profile. BIF figure includes 32 U.S. branches of foreign banks.

	FRF - FSLIC (Unaudited)		FRF - RTC (Unaudited)		FRF - Consolidated (Unaudited)	
	YTD 3/31/98	YTD 3/31/97	YTD 3/31/98	YTD 3/31/97	YTD 3/31/98	YTD 3/31/97
<u>Cash Flows</u>						
<i>Cash Flows from Operating Activities:</i>						
Cash Provided by Operating Activities	\$122	\$790	\$319	\$1,922	\$441	\$2,712
Cash Used for Operating Activities	(\$13)	(\$16)	(\$82)	(\$172)	(\$95)	(\$188)
Net Cash Provided by/(Used for) Operating Activities	\$109	\$774	\$237	\$1,750	\$346	\$2,524
<i>Cash Flows from Financing Activities:</i>						
U.S. Treasury Payments	\$0	\$0	\$0	\$0	\$0	\$0
Repayments of Federal Financing Bank Borrowings	\$0	\$0	(\$268)	(\$1,636)	(\$268)	(\$1,636)
Payments of Indebtedness Incurred from Thrift Resolution	(\$32)	(\$32)	\$0	\$0	(\$32)	(\$32)
Net Increase/(Decrease) in Cash	\$77	\$742	(\$31)	\$114	\$46	\$856
<u>Selected Statistics</u>						
Resolution Equity	\$2,039	\$1,758	\$6,651	\$4,986	\$8,690	\$6,744
Number of Active Receiverships	27	31	394	435	421	466
Number of Other Liquidating Entities	57	57	18	18	75	75
Rec./Corp. Owned Assets in Liquidation	\$130	\$451	\$1,866	\$4,111	\$1,996	\$4,562
Federal Financing Bank Borrowings	\$0	\$0	\$578	\$2,959	\$578	\$2,959

Fund Operations

Financial Results through March 31, 1998



For SAIF, results for the year ending December 31, 1997 are unaudited. For FRF-FSLIC and FRF-RTC, results for the years ending December 31, 1997 and 1996 are unaudited.

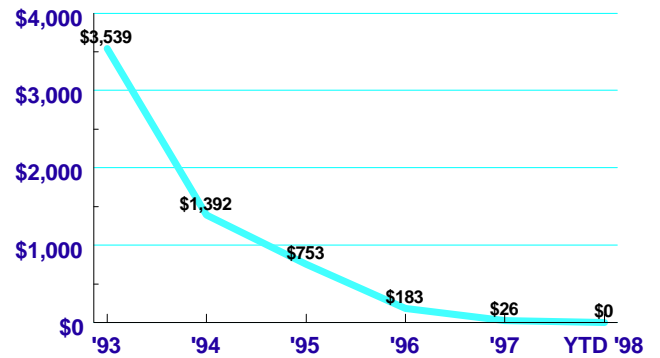
Insurance Activity

Through March 31, 1998

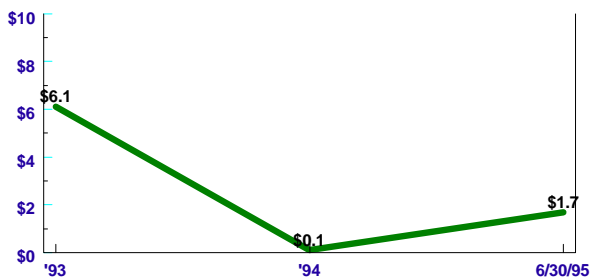
Number of Closed and Assisted BIF-Member Institutions



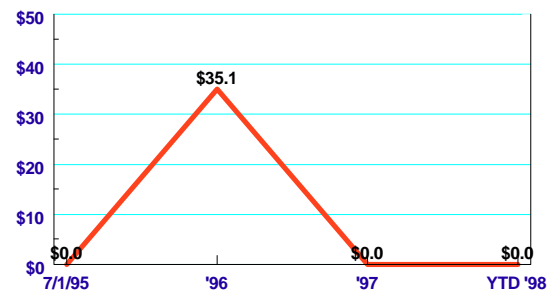
Assets of Closed and Assisted BIF-Member Institutions
at Date of Closing or Assistance
(Dollars in Millions)



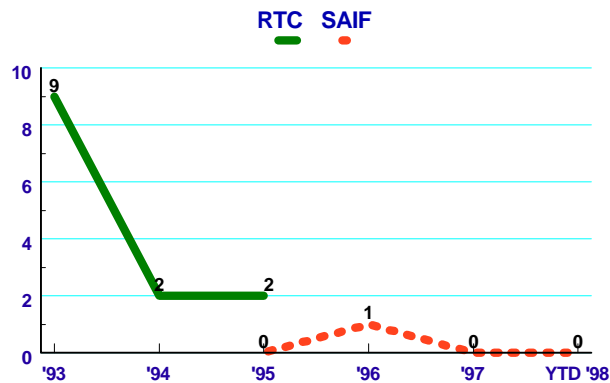
RTC: Assets of Failed Thrifts *
at Date of Failure
(Dollars in Billions)
RTC



SAIF: Assets of Failed Thrifts *
at Date of Failure
(Dollars in Millions)
SAIF



Number of Thrift Failures *



*The SAIF assumed responsibility for thrift-member institutions from the RTC on July 1, 1995.

Federal Deposit Insurance Corporation

Bank Insurance Fund and Savings Association Insurance Fund

Statements of Income and Fund Balance

(Dollars in Millions)

	B I F M-T-D March (Unaudited)		S A I F M-T-D March (Unaudited)	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Revenue				
Assessments	\$ 1	\$ 2	\$ (7)	\$ 3
Interest on U.S. Treasury investments	141	118	48	44
Revenue from assets acquired from assisted institutions and terminated receiverships	3	1	0	0
Other revenue	2	2	0	0
Total Revenue	<u>147</u>	<u>123</u>	<u>41</u>	<u>47</u>
Expenses and Losses				
Operating expenses	59	57	7	5
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	25	2	3	(1)
Expenses for assets acquired from assisted institutions and terminated receiverships	4	4	0	0
Total Expenses and Losses	<u>88</u>	<u>63</u>	<u>10</u>	<u>4</u>
Net Income	<u>59</u>	<u>60</u>	<u>31</u>	<u>43</u>
Unrealized gain/(loss) on available-for-sale securities (current period)	(1)	0	0	0
Comprehensive Income	<u>58</u>	<u>60</u>	<u>31</u>	<u>43</u>
Fund Balance - Beginning	<u>28,501</u>	<u>26,982</u>	<u>9,453</u>	<u>8,966</u>
Fund Balance - Ending	<u>\$ 28,559</u>	<u>\$ 27,042</u>	<u>\$ 9,484</u>	<u>\$ 9,009</u>

	B I F Y-T-D March (Unaudited)		S A I F Y-T-D March (Unaudited)	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Revenue				
Assessments	\$ 5	\$ 8	\$ (3)	\$ 6
Interest on U.S. Treasury investments	408	333	138	128
Revenue from assets acquired from assisted institutions and terminated receiverships	7	6	0	0
Other revenue	5	8	0	0
Total Revenue	<u>425</u>	<u>355</u>	<u>135</u>	<u>134</u>
Expenses and Losses				
Operating expenses	132	125	16	14
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	11	28	3	(1)
Expenses for assets acquired from assisted institutions and terminated receiverships	15	14	0	0
Total Expenses and Losses	<u>158</u>	<u>167</u>	<u>19</u>	<u>13</u>
Net Income	<u>267</u>	<u>188</u>	<u>116</u>	<u>121</u>
Unrealized gain/(loss) on available-for-sale securities (current period)	(1)	0	0	0
Comprehensive Income	<u>266</u>	<u>188</u>	<u>116</u>	<u>121</u>
Fund Balance - Beginning	<u>28,293</u>	<u>26,854</u>	<u>9,368</u>	<u>8,888</u>
Fund Balance - Ending	<u>\$ 28,559</u>	<u>\$ 27,042</u>	<u>\$ 9,484</u>	<u>\$ 9,009</u>

Federal Deposit Insurance Corporation

Bank Insurance Fund and Savings Association Insurance Fund

Statements of Financial Position

(Dollars in Millions)

	B I F March 31 (Unaudited)		S A I F March 31 (Unaudited)	
<u>Assets</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Cash and cash equivalents - available	\$ 407	\$ 220	\$ 146	\$ 198
Investment in U.S. Treasury obligations, net	26,884	23,681	9,214	8,697
Interest receivable on investments and other assets	490	393	131	126
Receivables from resolutions, net	840	2,961	5	12
Assets acquired from assisted institutions and terminated receiverships, net	58	28	0	0
Cash and Investments-Restricted:				
Exit fees	0	0	243	231
Software development and other capitalized assets, net	7	0	0	0
Property and buildings, net	145	148	0	0
Total Assets	\$ 28,831	\$ 27,431	\$ 9,739	\$ 9,264
 <u>Liabilities</u>				
Accounts payable and other liabilities	\$ 170	\$ 215	\$ 9	\$ 21
Estimated Liabilities for:				
Anticipated failure of insured institutions	41	66	3	3
Assistance agreements	28	51	0	0
Litigation losses	8	15	0	0
Asset securitization guarantee	25	42	0	0
SAIF-member exit fees and investment proceeds held in escrow	0	0	243	231
Total Liabilities	272	389	255	255
 <u>Fund Balance</u>				
Accumulated net income	28,560	27,042	9,484	9,009
Unrealized gain/(loss) on available-for-sale securities	(1)	0	0	0
Total Fund Balance	28,559	27,042	9,484	9,009
 Total Liabilities and Fund Balance	\$ 28,831	\$ 27,431	\$ 9,739	\$ 9,264

Federal Deposit Insurance Corporation

Financial Statements for FRF - FSLIC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	March 31 1998 (Unaudited)	March 31 1997 (Unaudited)
<u>Assets</u>		
Cash and cash equivalents	\$ 2,023	\$ 1,545
Receivables from thrift resolutions, net	55	160
Assets acquired from assisted thrifts and terminated receiverships, net	40	131
Other assets, net	4	67
Total Assets	\$ 2,122	\$ 1,903
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 10	\$ 11
Liabilities incurred from thrift resolutions	67	98
<i>Estimated Liabilities for:</i>		
Assistance agreements	6	9
Litigation losses	0	27
Total Liabilities	83	145
<u>Resolution Equity</u>		
Contributed capital	44,156	44,156
Accumulated deficit	(42,117)	(42,398)
Total Resolution Equity	2,039	1,758
Total Liabilities and Resolution Equity	\$ 2,122	\$ 1,903
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date March 31 1998 (Unaudited)	Year to Date March 31 1997 (Unaudited)
<u>Revenue</u>		
Interest on U.S. Treasury obligations	\$ 27	\$ 16
Revenue from assets acquired from assisted thrifts and terminated receiverships	7	15
Limited partnership revenue	0	6
Total Revenue	34	37
<u>Expenses and Losses</u>		
Operating expenses	1	1
Expenses for assets acquired from assisted thrifts and terminated receiverships	5	2
Provision for losses	(50)	11
Interest and other insurance expenses	1	(71)
Total Expenses and Losses	(43)	(57)
Net Income	77	94
Accumulated Deficit - Beginning	(42,194)	(42,492)
Accumulated Deficit - Ending	\$ (42,117)	\$ (42,398)

Federal Deposit Insurance Corporation

Financial Statements for FRF - RTC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	March 31 1998 (Unaudited)	March 31 1997 (Unaudited)
<u>Assets</u>		
Cash	\$ 131	\$ 414
Receivables from thrift resolutions, net	2,360	2,316
Securitization Reserve Fund	4,775	5,338
Assets acquired from assisted thrifts and terminated receiverships, net	62	27
Other assets, net	0	1
Total Assets	\$ 7,328	\$ 8,096
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 70	\$ 142
Notes payable - Federal Financing Bank borrowings	578	2,959
Liabilities incurred from thrift resolutions	8	6
<u>Estimated Liabilities for:</u>		
Litigation losses	3	0
Representations and Warranties	18	3
Total Liabilities	677	3,110
<u>Resolution Equity</u>		
Contributed capital	91,338	91,345
Accumulated deficit	(84,687)	(86,359)
Total Resolution Equity	6,651	4,986
Total Liabilities and Resolution Equity	\$ 7,328	\$ 8,096
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date March 31 1998 (Unaudited)	Year to Date March 31 1997 (Unaudited)
<u>Revenue</u>		
Interest on Securitization Reserve Fund	\$ 66	\$ 77
Revenue from assets acquired from assisted thrifts and terminated receiverships	3	13
Interest on advances to receiverships and other revenue	10	1
Total Revenue	79	91
<u>Expenses and Losses</u>		
Operating expenses	8	1
Interest expense on Federal Financing Bank debt	10	52
Expenses for assets acquired from assisted thrifts and terminated receiverships	3	7
Provision for losses	(34)	(37)
Total Expenses and Losses	(13)	23
Net Income	92	68
Accumulated Deficit - Beginning	(84,779)	(86,427)
Accumulated Deficit - Ending	\$ (84,687)	\$ (86,359)

Federal Deposit Insurance Corporation

Financial Statements for FRF - Consolidated

(Dollars in Millions)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
	March 31 1998 (Unaudited)	March 31 1997 (Unaudited)
<u>Assets</u>		
Cash and cash equivalents	\$ 2,154	\$ 1,959
Receivables from thrift resolutions, net	2,415	2,476
Securitization Reserve Fund	4,775	5,338
Assets acquired from assisted thrifts and terminated receiverships, net	102	158
Other assets, net	4	68
Total Assets	\$ 9,450	\$ 9,999
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 80	\$ 153
Notes payable - Federal Financing Bank borrowings	578	2,959
Liabilities incurred from thrift resolutions	75	104
<u>Estimated Liabilities for:</u>		
Assistance agreements	6	9
Litigation losses	3	27
Representations and Warranties	18	3
Total Liabilities	760	3,255
<u>Resolution Equity</u>		
Contributed capital	135,494	135,501
Accumulated deficit	(126,804)	(128,757)
Total Resolution Equity	8,690	6,744
Total Liabilities and Resolution Equity	\$ 9,450	\$ 9,999
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date March 31 1998 (Unaudited)	Year to Date March 31 1997 (Unaudited)
<u>Revenue</u>		
Interest on Securitization Reserve Fund	\$ 66	\$ 77
Interest on U.S. Treasury investments	27	16
Revenue from assets acquired from assisted thrifts and terminated receiverships	10	28
Interest on advances to receiverships and other revenue	10	1
Limited partnership revenue	0	6
Total Revenue	113	128
<u>Expenses and Losses</u>		
Operating expenses	9	2
Expenses for assets acquired from assisted thrifts and terminated receiverships	8	9
Provision for losses	(84)	(26)
Interest and other insurance expenses	11	(19)
Total Expenses and Losses	(56)	(34)
Net Income	169	162
Accumulated Deficit - Beginning	(126,973)	(128,919)
Accumulated Deficit - Ending	\$ (126,804)	\$ (128,757)